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TO: Edmond Wertz, President
Retired Detroit Police & Firefighters Association, Inc.

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: April 26, 2005

RE: 2005-2006 Budget Analysis

Attached is our budget analysis regarding your association's requests for the upcoming 2005-2006 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Budget Director
Sean Werdlow, Chief Financial Officer
Renee Short, Budget Manager
Charles Master, Retired Detroit Police & Firefighters Association President
Walter Stampor, Retirement Plan Supervisor
Kandia Milton, Mayor's Office

Retired Detroit Police and Firefighters Association, Inc.

FY 2005-06 Budget Analysis by the Fiscal Analysis Division

Police and Fire Retirees' 2005-06 Proposals and Costs

The Retired Detroit Police and Firefighters Association, Inc. did not provide any information to this office about their request to the Mayor or to the City Council this year. However we were able to find some information and believe that they will be presenting the following three proposals for retiree benefit improvements to Council:

1. A proposal to reimburse all retired members and their beneficiaries who pay health insurance premiums under the Social Security Act for Part B of the Medicare Program.
2. The placement of a member of the Retired Detroit Police and Firefighters Association on the Police and Fire Pension Board as included in the Charter Revisions of 1997.
3. A proposal that allows all uniformed retirees and their beneficiaries the option of selecting any healthcare program and dental and optical plan offered by the City of Detroit.

Reimbursement for Part B Medicare

The retiree association has a basic premise that there is a \$20.4 million annual savings to the city because of the 3,717 retirees/beneficiaries who have moved to the age of Medicare and some of the costs that the city paid prior to Medicare age have been shifted to the retiree as part B of the Medicare program. The retiree association believes that the city should pay the \$936 for each of the 3,717 retirees enrolled in Medicare for a current total of \$3.5 million.

The other side of that argument would be that even with the “*savings*” the retiree association alludes to, the city’s general fund is spending \$84.7 million in the current year on hospitalization and prescription benefits just for the uniform retirees, both Medicare and non-Medicare retirees.

Retiree on the Pension Board

While the retiree association annually brings this request before Council, this charter amendment has to be resolved through the labor negotiations.

Selection of Healthcare Programs

The administration needs to explain their policy on this issue. We believe that the retirees were offered the Blue Cross PPO, which has been part of the benefit plan for only a few years.

The current report from Mercer indicates that multiple providers for the same benefits increase the employer’s costs. The trend is to limit providers.

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